

Message Text

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PAGE 01 NEW DE 10148 100940Z

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 7066

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NEA ONLY - FOR KUX FROM SCHNEIDER

E. O. 11652: NA

TAGS: EAID IN

SUBJECT: PL-480 FY 77 INITIAL RACK UP

1. AS YOU ASSUMED WE HAVE HAD THE 500,000 TON WHEAT FIGURE
IN MIND FOR FY 1977 TITLE I AND FIND NO PROBLEM WITH IT.

2. ACCORDING TO AGATT, INDIA IMPORTED 73,000 MT VEGETABLE
(MOSTLY PALM) OILS IN CY 1975 (INCLUDING 3000 MT SOYBEAN OIL
FROM THE US WHICH WE BELIEVE IS TITLE II GOODS).

3. THIS YEAR MOF HAS ALLOCATED US \$19 MILLION IN FEX FOR
COMMERCIAL IMPORTS OF VEGETABLE OIL WHICH EQUATES TO ABOUT
50,000 SOYBEAN OIL AT CURRENT PRICES. WE KNOW OF
15,000 MT SOY OIL THAT HAS ALREADY BEEN PURCHASED FROM BRAZIL.

4. FROM US STANDPOINT THERE APPEARS LITTLE OPPORTUNITY FOR
INDIA DIVERT ANY IMPORTED SOY OIL) WHICH WE ASSUME IS TYPE
OIL WE WOULD BE OFFERING.) ABOUT 80 PERCENT INDIAN EXPORTS
UNDER THIS CATEGORY ARE LINDSEED AND CASTOR OILS, REMAINING
SMALL QUANTITIES GROUNDNUT, MUSTARD AND SESAME OILS.

5. AS FAR AS WE KNOW, US FIRMS ARE NOT EXPORTING SOY OIL TO
INDIA ON COMMERCIAL BASIS ALTHOUGH THEY MAY HAVE OFFERED
BIDS ON GOI TENDERS. INCLUSION IN TITLE I COULD CONCEIVABLY
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PAGE 02 NEW DE 10148 100940Z

HELP DEVELOP A FUTURE MARKET FOR US.

6. HOWEVER, 50,000 MT VEGETABLE OIL EQUATES TO ABOUT TWO-THIRDS OF INDIAN COMMERCIAL IMPORTS OF THIS PRODUCT, MUCH OF IT FROM MALAYSIA AND INDONESIA. WE CANNOT JUDGE THE EFFECT A SWITCH BY INDIA TO TITLE I WOULD HAVE ON THESE COUNTRIES. NOR THE EFFECT THIS WOULD HAVE ON THE PRICE FOR VEGETABLE OIL ELSEWHERE OR ON THE WORLD DEMAND POSITION FOR VEGETABLE OIL, INCLUDING OURS. THE AMBASSADOR IS PARTICULARLY CONCERNED ABOUT THE EFFECT OF OUR PROVIDING PL-480 OIL TO INDIA ON WORLD DEMAND FOR US OIL AND WE WOULD LIKE WASHINGTON'S VIEW ON THIS. IN VIEW OF INDIA'S STRONG FEX POSITION, BALANCE OF PAYMENTS MAY BE LESS IMPORTANT FACTOR THAN HERETOFORE. WE ARE NOT CONFIDENT, THREFORE, THAT GOI WOULD BE COMPLETELY RECEPTIVE TO SUCH AN OFFER AT THE TIME TITLE I DISCUSSIONS WOULD COMMENCE.

7. AN ADDITIONAL FACTOR WHICH HAS JUST COME TO US IS THE PUBLICATION OF SEVERAL ARTICLES IN TODAYS PAPERS REGARDING A DEVELOPING SHORTAGE OF VEGETABLE OIL AND GOI INTENTION TO IMPORT SUBSTANTIAL AMOUNTS TO STABLIZE PRICES. IF THE OFFER WE ARE DISCUSSING WERE RAISED TODAY, IT WOULD LIKELY BE WELL RECEIVED. HOWEVER, BY FALL THE SITUATION COULD ALREADY BE STABILIZED AND WE THEREFORE HOLD TO OUR VIEW IN PARA 6.

8. PLEASE LET US KNOW WHEN WE CAN REFER TO POSSIBILITY OF INDIA'S BEING OFFERED VEGETABLE OIL IN OPEN TRAFFIC SO THAT WE MAY ASK FOR WASHINGTON'S VIEWS ON EFFECT ON WORLD MARKET. SAXBE

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